GOVERNMENT OF INDIA
TOURISM AND CULTURE
LOK SABHA

UNSTARRED QUESTION NO:1985
ANSWERED ON:04.08.2003
EXPANSION OF HOTEL INDUSTRY
ALE NARENDRA;GADDE RAMAMOHAN;M.V.V.S MURTHI

Will the Minister of TOURISM AND CULTURE be pleased to state:

(a) whether the Union Government have received proposals from State Governments for expansion of hotel industry in their States;

(b) if so, the details thereof, State-wise; and

(c) the eteps taken by the Government alongwith financial assistance provided to the State Governments for the purpose?

Answer

MINISTER OF TOURISM AND CULTURE (SHRI JAGMOHAN)

(a), (b) and (c) : Construction of hotels is mainly a private sector activity. However, Ministry of Tourism, Government of India, in order to encourage expansion of the hotel industry, has been offering incentives in this field. Benefits and tax reliefs announced in the Union Budget 2003-2004 are at Annexure.

ANNEXURE REFERRED TO IN REPLY TO PART (a) TO (c) OF LOK SABHA UNSTARRED QUESTION NO. 1985 T
ANSWERED ON 04.08.2003 REGARDING EXPANSION OF HOTEL INDUSTRY.

Subsequent to the recommendations made by the Department of Tourism, Ministry of Tourism & Culture, the Governmentof India has announced the following benefits and tax relief in the Union Budget 2003-2004 in order to give a boost to the hotel industry.

1. Expenditure Tax : The 10% Expenditure Tax on hotels has been completely withdrawn with effect from 1st June, 2003. The Finance Minister has also requested the State Governments to withdraw the Luxury Tax currently charged.

2. Service Tax : A further extension has been accorded to the hotel industry for exemption of Service Tax. The current exemption is for those functions, conferences and banquets in hotels where a substantial meal is served.

3. Customs Duty : The basic Customs Duty on liquor has been reduced from current 182% to 166%.

4. Incentives under Section 10(23)(g) I.T. Act : This provision will allow leading institutions to make available funds to hotel projects at reduced rates of interests. The financial institutions will get a tax break on the interest income they earn on loans extended to such borrowers.

5. Benefit under Section 72/A of I.T. Act : It is proposed by the Finance Bill, 2003 to extend the benefit of carry forward and set off of accumulated loses and unabsorbed depreciation under Section 72/A in case of amalgamation of a company owning a hotel with another company. the benefits however will be subject to fulfillment of specified conditions. These amendments will apply from assessment year 2004-2005.